

REPORT
OF THE
COMPTROLLER OF THE TREASURY
OF THE
STATE OF MARYLAND

September 30, 1968

TO THE GENERAL ASSEMBLY OF MARYLAND AND
TO HIS EXCELLENCY SPIRO T. AGNEW
Governor of Maryland

In compliance with the provisions of Section 9 of Article 19 of the Annotated Code of Maryland, I submit herewith a report of the financial activities of the State of Maryland for the fiscal year ended June 30, 1968.

Although the format of the report has been completely redesigned and revised, the information presented in the various Exhibits, Statements, and supporting Schedules follows the pattern of similar reports submitted in past years. I believe it will supply accurately and concisely the information required by public officials, financial institutions, libraries, accountants and others interested in such matters.

The State began its 1968 fiscal year with a total Surplus Account of \$34,022,480. General Fund Expenditures for the 1968 fiscal year exceeded total Revenues by \$36,856,556., which resulted in a net operating deficit of \$2,834,076. A summary of the transactions of the State's Surplus Account for the fiscal year ended June 30, 1968, is as follows:

| | | |
|--|---------------|---------------|
| General Fund Surplus—Balance, July 1, 1967..... | | \$34,022,480 |
| Surplus Increases—Revenues, etc..... | \$567,378.247 | |
| Less: Surplus Decreases—Net Appropriations, etc..... | 604,234.803 | |
| Excess of Decreases over Increases..... | | 36,856,556 |
| General Fund Net Operating Deficit—Balance, June 30, 1968..... | | \$(2,834,076) |

A detailed analysis of the Surplus Account is presented in this report as Statement A—16. The deficit existing at the close of the fiscal year was, undoubtedly, due to a revision in the income tax laws by the 1967 Session of the General Assembly, which changed the State income tax from a flat 3% rate, to a graduated rate of 2% to 5%, and also imposed these new rates on capital gains. Inasmuch as the State of Maryland had no prior experience with either graduated rates of income taxation or with an income tax on capital gains, it proved to be an almost impossible task to predict accurately, more than a year prior to the actual collection of this new tax, a reliable estimate of how much revenue the State could anticipate receiving from it. As a result of this unpredictability the State of Maryland actually received \$24,757,520 less from income taxes than had been estimated. However, since revenues from other sources, as reflected in Exhibit F of this report, exceeded, in a number of instances, the amounts originally estimated, the net deficiency in total estimated revenues amounted to \$17,772,642. Thus to evaluate the net general fund operating deficit the following analysis is presented.

| | | |
|--|---------------|----------------|
| General Fund Surplus— Balance, July 1, 1967..... | | \$34,022,479 |
| Less:—1968 Fiscal Year Appropriations in Excess of Estimated Revenues: | | |
| Authorized Appropriations—1968..... | \$623,392.941 | |
| Estimated Revenues..... | 581,781.581 | (41,611,360) |
| Net Deficiency in Revenue Attainment..... | | (17,772,642) |
| Write-off of Advance..... | | (1,348) |
| Gross Operating Deficit for 1968 Fiscal Year..... | | \$(25,362,871) |